

HERSEY TOWNSHIP
OSCEOLA COUNTY, MICHIGAN
AUDIT REPORT
JUNE 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* HERSEY TOWNSHIP	County* OSCEOLA	Type* TOWNSHIP	MuniCode* 67-1-050
Opinion Date-Use Calendar* Nov 21, 2008	Audit Submitted-Use Calendar* Dec 17, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 209,562.00
General Fund Expenditure: ?	\$ 163,452.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 403,255.00
Governmental Activities Long-Term Debt (see instructions): ?	\$ 202,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* TERRY	Last Name* KIRKPATRICK	Ten Digit License Number* 1101018035		
CPA Street Address* 211 MAPLE STREET	City* BIG RAPIDS	State* MI	Zip Code* 49307	Telephone* +1 (231) 796-3332
CPA Firm Name* TERRY KIRKPATRICK, CPA	Unit's Street Address* 211 MAPLE STREET	Unit's City* BIG RAPIDS	Unit's Zip* 49307	

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TERRY KIRKPATRICK, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Township Board
Hersey Township, Osceola County

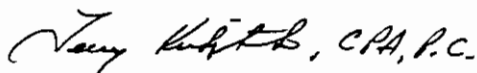
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hersey Township, Osceola County, Michigan, as of and for the year ended June 30, 2008, which collectively comprise Hersey Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Hersey Township, Osceola County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hersey Township, Osceola County, Michigan, as of June 30, 2008, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hersey Township, Michigan's basic financial statements. The introductory section, combining and individual non-major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and pages 15 through 18, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
November 21, 2008

Hersey Township – Osceola County, Michigan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Hersey Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets increased during the year. In a condensed format, the table below shows the net assets as of the current date:

	<u>2008</u>
Current Assets	\$ 477,128
Non-current Assets	<u>413,608</u>
	<u>\$ 890,736</u>
 Total Liabilities	 \$ 202,291
Net Assets	
Invested in Capital Assets	211,608
Unrestricted	<u>476,837</u>
Total net assets	<u>688,445</u>
 Total liabilities and net assets	 <u>\$ 890,736</u>

The following table shows the changes of the net assets as of the current date:

	<u>2008</u>
General Revenues	
Property Taxes	\$ 117,419
State Grants	104,091
Charges for Services	28,383
Interest Earnings	12,141
Other Revenue	<u>8,186</u>
Total revenues	270,220
Program Expenses	
General Government	79,157
Public Safety	63,944
Public Works	82,375
Other Funtions	5,471
Depreciation	<u>26,033</u>
Total expenses	<u>256,980</u>
Change in Net Assets	<u>\$ 13,240</u>

The Township's Funds

Our analysis of the Township's major funds begins on page 7, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund and Fire Fund.

The General Fund pays for most of the Township's governmental services, which are partially supported by an operating tax millage and State revenue sharing, while the Fire Fund provides for fire department operations.

General Fund Budgetary Highlights

Hersey Township found it necessary to amend the General Fund budget during the year as various events occurred.

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had \$458,659 invested in a broad range of capital assets including buildings and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Osceola County Road Commission (along with the responsibility to maintain them). The Township also entered into a financing agreement with CSI Emergency Apparatus, LLC in the amount of \$202,000 to assist in the purchase of a new fire truck. The total cost of the new fire truck was \$232,000.

Economic Factors and Next Year's Budgets and Rates

The Township budget for the next fiscal year will be similar to this past years' budget. State revenue sharing has shown declines in recent years and may be so again for the next year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

BASIC FINANCIAL STATEMENTS

Hersey Township – Osceola County, Michigan

Government Wide Statement of Net Assets

June 30, 2008

With Comparative Amounts at June 30, 2007

	Primary Government Governmental Activities	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and Cash Equivalents	\$ 458,852	\$ 428,824
Receivables - Other Governmental Units	15,910	32,236
Delinquent Tax Receivable	2,366	2,626
Due from Trust and Agency Funds	0	4,111
Capital Assets (Net)	413,608	207,641
	<hr/>	<hr/>
Total assets	\$ 890,736	\$ 675,438
	<hr/>	<hr/>
LIABILITIES		
Payroll Taxes Payable	\$ 261	\$ 233
Non-current liabilities	198,910	0
Due within one year	3,120	0
Total liabilities	202,291	233
	<hr/>	<hr/>
NET ASSETS		
Invested in capital assets, net of related debt	211,608	207,641
Unrestricted	476,837	467,564
Total net assets	688,445	675,205
	<hr/>	<hr/>
Total liabilities and net assets	\$ 890,736	\$ 675,438
	<hr/>	<hr/>

The "Notes to Financial Statements" are an integral part of these statements.

Hersey Township -- Osceola County, Michigan
Government Wide Statement of Activities
For the Year Ended June 30, 2008
With Comparative Total Amounts for June 30, 2007

	Expenses	Program Revenues		Governmental Activities	
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes In Net Assets	
				2008	2007
PRIMARY GOVERNMENT					
General Government	\$ 79,157	\$ 0	0	\$ (79,157)	\$ (79,933)
Public Safety	63,944	0	0	(63,944)	(74,280)
Public Works	82,375	0	0	(82,375)	(71,984)
Other Functions	5,471	0	0	(5,471)	(5,823)
Debt Service Interest	0	0	0	0	(1,637)
Depreciation (unallocated)	26,033	0	0	(26,033)	(25,066)
Total primary government	\$ 256,980	\$ 0	0	\$ (256,980)	\$ (258,723)
General Revenues					
Property Tax				117,419	115,948
State Grants				104,091	100,922
Charges for Services				28,383	32,380
Interest Earnings				12,141	21,691
Transfer from Cemetery Trust Fund				0	79
Other Revenue				8,186	4,509
Total general revenues				270,220	275,529
Prior Year Adjustments				0	(41,500)
Change in Net Assets				13,240	(24,694)
Net assets - Beginning of year				675,205	699,899
Net assets - End of year				\$ 688,445	\$ 675,205

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Hersey Township – Osceola County, Michigan
Governmental Fund Balance Sheet
June 30, 2008

	General Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
				<u>2008</u> <u>2007</u>
ASSETS				
Cash and Cash Equivalents	\$ 388,233	\$ 47,996	\$ 22,623	\$ 458,852
Delinquent Tax Receivable - Personal	1,042	1,324	0	2,366
Due from Other Funds	0	1,049	621	1,670
Due from Other Governmental Units	15,910	0	0	15,910
Total assets	\$ 405,185	\$ 50,369	\$ 23,244	\$ 478,798
				<u>\$ 469,497</u>
LIABILITIES AND FUND EQUITY				
Due to Other Funds	\$ 1,700	\$ 0	\$ 0	\$ 1,700
Payroll Tax Payable	230	31	0	261
Fund Balance - Unreserved and Undesignated	403,255	50,338	23,244	476,837
Total liabilities and fund equity	\$ 405,185	\$ 50,369	\$ 23,244	\$ 478,798
				<u>\$ 469,497</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

Total Governmental Fund Balances	\$ 476,837	\$ 467,564
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.		
Long-term liabilities that are not due and payable in the current period are not reported in the funds:		
notes payable	(202,000)	0
Cost of capital assets, net of depreciation	413,608	207,641
Net assets of governmental activities	\$ 688,445	\$ 675,205

The "Notes to Financial Statements" are an integral part of these statements.

Hersey Township – Osceola County, Michigan
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008
With Comparative Totals for June 30, 2007

	General Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds	June 30, 2007 Totals
REVENUES					
Property Tax	\$ 59,072	\$ 58,347	\$ 0	\$ 117,419	\$ 115,948
State Grants	104,091	0	0	104,091	100,922
Charges for Services	28,183	200	0	28,383	32,380
Interest and Rents	11,290	719	132	12,141	21,691
Other Revenue	6,926	210	1,050	8,186	4,509
Total revenues	209,562	59,476	1,182	270,220	275,450
EXPENDITURES					
General Government	75,606	0	3,551	79,157	79,933
Public Safety	0	61,294	2,650	63,944	74,280
Public Works	82,375	0	0	82,375	71,984
Other Functions	5,471	0	0	5,471	5,823
Capital Outlay	0	232,000	0	232,000	0
Debt Service	0	0	0	0	27,062
Prior Year Adjustments	0	0	0	0	41,500
Total expenditures	163,452	293,294	6,201	462,947	300,582
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	46,110	(233,818)	(5,019)	(192,727)	(25,132)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	20,000	3,000	23,000	53,079
Transfers Out	(23,000)	0	0	(23,000)	(53,000)
Loan Proceeds on Fire Truck	0	202,000	0	202,000	0
Total other financing sources (uses)	(23,000)	222,000	3,000	202,000	79
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	23,110	(11,818)	(2,019)	9,273	(25,053)
Fund Balance - July 1,	380,145	62,156	25,263	467,564	492,617
Fund Balance - June 30,	\$ 403,255	\$ 50,338	\$ 23,244	\$ 476,837	\$ 467,564

The "Notes to Financial Statements" are an integral part of these statements.

Hersey Township – Osceola County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
Net Change in Fund Balances - Total Government Funds	\$ 9,273	\$ (25,053)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is capital outlay for the year.	232,000	0
An additional loan of debt principal is another financing source in the governmental funds, but not in the statement of activities (where it increases debt).	(202,000)	0
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt).	0	25,425
Depreciation expense	<u>(26,033)</u>	<u>(25,066)</u>
Change in Net Assets of Governmental Activities	<u>\$ 13,240</u>	<u>\$ (24,694)</u>

The "Notes to Financial Statements" are an integral part of these statements.

Hersey Township – Osceola County, Michigan

Fiduciary Fund

Statement of Net Assets

June 30, 2008

	Agency Fund Type		Totals	2007 Totals
	Cemetery Trust Fund	Property Tax Collection		
ASSETS				
Cash and Cash Equivalents	\$ 20,353	\$ 0	\$ 20,353	\$ 24,063
Due from General Fund	30	0	30	30
Total assets	<u>\$ 20,383</u>	<u>\$ 0</u>	<u>\$ 20,383</u>	<u>\$ 24,093</u>
LIABILITIES AND FUND EQUITY				
Due to General Fund	0	0	0	4,141
Fund Balance	20,383	0	20,383	19,952
Total liabilities and fund equity	<u>\$ 20,383</u>	<u>\$ 0</u>	<u>\$ 20,383</u>	<u>\$ 24,093</u>

The "Notes to Financial Statements" are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hersey Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Hersey Township:

Reporting Entity

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Hersey Township's property tax is levied on each December 1st on the taxable valuation of property located within Hersey Township as of the preceding December 31st.

Hersey Township – Osceola County, Michigan

Notes to Financial Statements - Continued

For the Year Ended June 30, 2008

Although the Hersey Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is Hersey Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2007 taxable valuation of Hersey Township totaled approximately \$49,954,000, on which ad valorem taxes levied consisted of .9605 mills for the Township operating purposes and an additional .9605 mills for fire protection. These amounts are recognized in the respective General and Special Revenue Fund financial statements as Due from Osceola County and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

The Fire Fund is used to record property tax and interest for expenditures for fire protection.

Additionally, the Township reports the following fund types:

The Township reports two Fiduciary Funds (Trust and Agency Funds). One fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. The other is a Cemetery Trust Fund for perpetual care. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township reports two non-major special revenue funds for a fire barn fund and a cemetery fund.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and are considered delinquent on March 1st of the following year, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 Years
Vehicles	10 Years
Equipment	5 to 10 Years

Hersey Township – Osceola County, Michigan

Notes to Financial Statements - Continued

For the Year Ended June 30, 2008

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by July 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 479,205

The bank balance of the primary government's deposits is \$483,375, of which \$122,000 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	General	Fire Millage	Non-Major	Total
Taxes receivable	\$ 1,042	\$ 1,324	\$ 0	\$ 2,366
State revenue sharing	15,910	0	0	15,910

Hersey Township – Osceola County, Michigan

Notes to Financial Statements - Continued

For the Year Ended June 30, 2008

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 36,000	\$ 0	\$ 0	\$ 36,000
Capital assets being depreciated				
Buildings	130,000	0	0	130,000
Fire vehicles	277,659	232,000	0	509,659
Equipment	15,000	0	0	15,000
Less Accumulate depreciation for Capital assets	(251,018)	(26,033)	0	(277,051)
Net capital assets	<u>\$ 207,641</u>	<u>\$ 205,967</u>	<u>\$ 0</u>	<u>\$ 413,608</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE F- LONG-TERM DEBT

This installment purchase agreement (dated 6-11-08) was issued to finance the purchase of a new fire truck. The agreement is between Hersey Township and CSI Emergency Apparatus, LLC of Grayling, Michigan. The annual debt service requirements to maturity, including principal and interest, for long term debt as of June 30, 2008, are as follows:

Year Ending June 30	Principal	Interest	Total Payment
2009	\$ 37,589.87	\$ 6,561.97	\$ 44,151.84
2010	38,945.68	5,206.16	44,151.84
2011	40,350.43	3,801.41	44,151.84
2012	41,800.18	2,351.66	44,151.84
2013	43,313.84	838.00	44,151.84
Total	<u>\$ 202,000.00</u>	<u>\$ 18,759.20</u>	<u>\$ 220,759.20</u>

NOTE G – INTERFUND RECEIVABLES AND PAYABLES

Receivable Fund	Payable Fund	Amount
Fire	General	1,049
Non-Major	General	621

NOTE H – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Hersey Township – Osceola County, Michigan

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

With Comparative Actual Amounts for June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
BEGINNING OF YEAR FUND BALANCE	\$ 380,145	\$ 380,145	\$ 380,145	\$ 0	\$ 399,378
Resources (inflows)					
Property Tax	47,500	47,500	59,072	11,572	58,113
State Grants	83,200	83,200	104,091	20,891	100,922
Charges for Services	25,000	25,000	28,183	3,183	30,468
Interest and Rents	11,500	8,800	11,290	2,490	20,401
Other Revenue	1,525	1,525	6,926	5,401	4,509
Amounts Available for Appropriation	548,870	546,170	589,707	43,537	613,791
Charges to Appropriations (outflows)					
General Government					
Township board	15,042	16,838	11,994	4,844	9,868
Supervisor	7,354	7,354	7,066	288	6,866
Elections	2,600	2,600	1,394	1,206	3,840
Assessor	19,500	19,500	15,288	4,212	16,151
Clerk	14,555	14,775	14,090	685	13,416
Board of review	1,340	2,120	1,881	239	1,072
Treasurer	17,445	18,445	17,696	749	17,345
Townhall	9,100	9,100	6,197	2,903	7,700
Public Works					
Highways, streets & bridges	125,000	125,000	47,347	77,653	36,170
Sanitation	46,994	47,064	34,401	12,663	35,297
Street lighting	1,000	1,128	627	501	517
Other Functions					
Social security/ medicare tax	450	770	415	355	898
Retirement	5,500	5,500	5,056	444	4,925
Prior Year Adjustments	0	0	0	0	26,581
Transfers Out- Fire Fund	50,000	50,000	20,000	30,000	50,000
- Cemetery Fund	4,500	4,500	3,000	1,500	3,000
Total Charges to Appropriations	320,380	324,694	186,452	138,242	233,646
Budgetary Fund Balance - June 30,	\$ 228,490	\$ 221,476	\$ 403,255	\$ 181,779	\$ 380,145

Hersey Township – Osceola County, Michigan

Budgetary Comparison Schedule

Fire Fund

For the Year Ended June 30, 2008

With Comparative Actual Amounts for June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
BEGINNING OF YEAR FUND BALANCE	\$ 62,156	\$ 62,156	\$ 62,156	\$ 0	\$ 63,695
Resources (inflows)					
Property Tax	47,000	47,000	58,347	11,347	57,835
Charges for Services	700	200	200	0	1,687
Interest and Rents	200	200	719	519	1,029
Other Revenue	500	0	210	210	0
Transfer from General Fund	50,000	20,000	20,000	0	50,000
Loan Proceeds on Fire Truck	0	0	202,000	202,000	0
Amounts Available for Appropriation	160,556	129,556	343,632	214,076	174,246
Charges to Appropriations (outflows)					
Public Safety					
Fire protection	85,450	88,150	61,294	26,856	70,109
Capital Outlay	30,000	30,000	232,000	(202,000)	0
Debt Service	0	0	0	0	27,062
Prior Year Adjustments	0	0	0	0	14,919
BUDGETARY FUND BALANCE - June 30.	\$ 45,106	\$ 11,406	\$ 50,338	\$ 38,932	\$ 62,156

OTHER SUPPLEMENTAL INFORMATION

Hersey Township – Osceola County, Michigan

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2008

With Comparative Totals at June 30, 2007

	Fire Barn Fund	Cemetery Fund	Totals	
			2008	2007
ASSETS				
Cash and Cash Equivalents	\$ 18,896	\$ 3,727	\$ 22,623	\$ 24,642
Due from General Fund	246	375	621	621
Total assets	<u>\$ 19,142</u>	<u>\$ 4,102</u>	<u>\$ 23,244</u>	<u>\$ 25,263</u>
LIABILITIES AND FUND EQUITY				
Fund Balance				
Unreserved and undesignated	<u>\$ 19,142</u>	<u>\$ 4,102</u>	<u>\$ 23,244</u>	<u>\$ 25,263</u>

Hersey Township – Osceola County, Michigan
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2008
With Comparative Totals at June 30, 2007

	Fire Barn Fund	Cemetery Fund	Totals	2008	2007
REVENUES					
Cemetery Lot Sales	\$ 0	\$ 1,050	\$	1,050	\$ 225
Interest and Rents	83	49		132	261
Total revenues	83	1,099		1,182	486
EXPENDITURES					
General government	0	3,551		3,551	3,675
Public safety	2,650	0		2,650	4,171
Total expenditures	2,650	3,551		6,201	7,846
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,567)	(2,452)		(5,019)	(7,360)
OTHER FINANCING SOURCES (USES)					
Transfer In	0	3,000		3,000	3,079
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,567)	548		(2,019)	(4,281)
FUND BALANCE - July 1,	21,709	3,554		25,263	29,544
FUND BALANCE - June 30,	\$ 19,142	\$ 4,102	\$	23,244	\$ 25,263

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November 21, 2008

Members of Hersey Township Board
Osceola County, Michigan

I have recently completed my audit of the basic financial statements of Hersey Township for its year ended June 30, 2008. During this audit, I had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of my auditing procedures, there are some comments and/or recommendations I would like to present.

BUDGET FOR FIRETRUCK FINANCING

Technically, the Township Board should have budgeted for the full cost of the new fire truck (\$ 232,000) as an expenditure and the revenue side of the budget for the amount of the third-party loan for the new truck (\$ 202,000). The reason for this is that the cost of the fire truck is recorded as a capital outlay expenditure for the full amount of the purchase price at the time of purchase.

CLERK AND TREASURER RECORDS WELL MAINTAINED AGAIN THIS YEAR

The Clerk and Treasurer both have maintained their financial records in very good order this year once again. Their records allow the Board to be well informed as to the financial condition of the Township at all times.

OTHER MATTERS

I want to thank your personnel for the courtesy and cooperation shown me by them during the audit process.

I have mailed two copies of the audit report and this letter to the Michigan Department of Treasury.

You have been given the completed copy of the Form F-65, which the Clerk must sign and mail to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact me.

Terry Kirkpatrick, CPA, P.C.